

Appendix A

# **The Voluntary Reporting Program: A Developmental Overview**

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## Introduction

Rising global atmospheric concentrations of carbon dioxide, methane, nitrous oxide, and other “greenhouse gases” have been a subject of increasing scientific and policy concern for the past decade. Many scientists and policymakers believe that increasing atmospheric concentrations of these gases (thought to be caused by human activities, particularly the combustion of fossil fuels) may cause significant long-term changes in global weather and climate by trapping more of the sun’s heat in the atmosphere. The heat-trapping properties of greenhouse gases are discussed in the box in Chapter 1, page 6 of this report.

In 1992, President George Bush signed a multilateral treaty, the Framework Convention on Climate Change, which committed the United States to take steps, in conjunction with other signatory states, to “. . . achieve . . . stabilization of the greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system.”<sup>67</sup>

As the Framework Convention was being negotiated, the Congress began to consider measures that would help the U.S. Government develop the national “commitment” required by the treaty. One such measure was Section 1605(b) of the Energy Policy Act of 1992, which requires the Energy Information Administration (EIA) to create reporting forms and a database for the voluntary reporting of emissions and reductions in emissions of greenhouse gases. The Voluntary Reporting Program was developed in a cooperative effort with potential reporters, the Department of Energy’s Office of Policy, and the U.S. Environmental Protection Agency. The program permits individuals, corporations, and other organizations to report to the EIA on actions taken that have reduced emissions of greenhouse gases.

Reporters choose to undertake the effort of preparing their voluntary submissions for a variety of reasons, such as:

- To establish a public record of their contributions to achieving a national policy objective
- To provide the opportunity for others to benefit from their experience in reducing emissions
- To demonstrate their commitment to voluntary approaches to solving or ameliorating environmental conditions
- To record the activities undertaken pursuant to voluntary programs under the President’s Climate Change Action Plan
- To establish a basis for requesting consideration of prior actions in a possible future “credit for early reductions” program or a possible future regulatory scheme to stabilize or reduce national emissions of greenhouse gases.

## Development of the Voluntary Reporting Program

About 3 years elapsed between the passage of Section 1605(b) of the Energy Policy Act of 1992 and the completion of the first reporting cycle of the Voluntary Reporting Program. The development of the Program consisted of three phases:

- Guidelines development (October 1992 to October 1994)
- Forms development (February 1994 to July 1995)
- First report processing (July 1995 to March 1996).

### Guidelines Development

The principal clauses of Section 1605(b) of the Energy Policy Act require the U.S. Department of Energy (DOE), in consultation with the U.S. Environmental Protection Agency (EPA), to issue guidelines for reporting emissions of greenhouse gases. The EIA was then required to develop a reporting framework consistent

<sup>67</sup>United Nations, “Report of the Intergovernmental Negotiating Committee for a Framework on Convention for Climate Change on the Work of the Second Part of its Fifth Session, Held at New York from 30 April to 9 May 1992,” UN Document A/AC.237/18, Part II (May 15, 1992), <http://www.unfccc.de>.

with the guidelines. The information collected was to be accessible for public use.

The development of the guidelines was assigned to DOE's Office of Policy, which began a series of public workshops to gather information about public expectations of the program. The public workshops on the guidelines ran from September 1993 to March 1994 and were held in Washington, DC, Atlanta, GA, and Chicago, IL. The workshops spanned a range of issues related to the objectives of the Voluntary Reporting Program, the definition of a "credible" report, and methods of reporting.

Differing notions of the purpose of the Voluntary Reporting Program were expressed, as well as differing views about the nature and type of information to be collected. Many potential reporters tended to stress the notion that the reporting system should be "simple and flexible." They typically opposed suggestions to construct detailed "official" definitions of baselines, reporting entities, and coverage of reports. It was argued that such definitions were premature in an experimental program, would discourage companies from reporting, and would render the program relatively narrow.

Some commenters, who were not potential reporters, argued the reverse. They urged explicit and specific definitions of "who is responsible for an emission." The individuals and organizations holding these views hoped to elicit reports that revealed absolute and verifiable emission reductions.

Following the workshops, a public review draft of the guidelines was published in May 1994. After further public comment, final guidelines were published in October 1994.<sup>68</sup> The guidelines contain several broad themes that have shaped the program:

- The Department held that the primary objective of the program was "broad participation." Any U.S. "legal person" (i.e., individual, corporation, trade association, or private voluntary organization) may report.
- Within the confines of the statute, reporters were given nearly complete flexibility in crafting their reports. Reporters were free to define as they saw fit the nature of the reporting entity, the emissions and reductions to be reported, methods of calculating emissions and reductions, and the type of activity deemed to cause emission reductions.

- Reporters were to be permitted to report on activities both in the United States and abroad, so long as they distinguish between domestic and foreign activities.
- Reporters were to be encouraged to report both emissions and emission reductions as comprehensively as possible, accounting for both "direct" and "indirect" emissions, and also for "primary" and "secondary" effects. (These terms are defined in Appendix B.)
- Reporters were to be encouraged to report on emissions and emission reductions for a range of greenhouse gases.
- Reporters were to report "achieved reductions," defined as emission reductions achieved since 1990. Reductions occurring prior to 1990 or reductions expected to occur in the future are not permitted.

The guidelines did not define "property rights" in emissions. For example, the emissions from generating electricity could be the responsibility of an electric utility or the purchaser of the electricity. By accepting the validity of differing possible interpretations of who "owns" emissions, reporters were given considerable flexibility in reporting on their greenhouse gas emissions and emission reduction activities. The guidelines explicitly recognized the possibility that, in the absence of clear "property rights," two or more organizations might report on the same emission reduction activity, an eventuality called "double reporting." The flexibility of the guidelines has, of necessity, resulted in a relatively complex reporting form and database.

## Forms Development

The EIA developed, in parallel, reporting forms and a database consistent with the guidelines. In early November 1994, 2 weeks after the issuance of the final guidelines, the EIA issued draft forms for public review. The draft forms were pre-tested by several firms interested in reporting, including Niagara Mohawk Power, Houston Light & Power, and General Motors. Many useful comments were received, both from pre-testers and from the public review process.

Following the public review, the EIA sent the forms to the Office of Management and Budget (OMB) for formal clearance under the Paperwork Reduction Act, a legal requirement for any Federal data collection exercise. The OMB requested further public comment and, after reviewing the forms, cleared them for public use in May

<sup>68</sup>U.S. Department of Energy, *Voluntary Reporting of Greenhouse Gases Under Section 1605(b) of the Energy Policy Act of 1992: General Guidelines; and Sector-Specific Issues and Reporting Methodologies Supporting the General Guidelines for the Voluntary Reporting of Greenhouse Gases Under Section 1605(b) of the Energy Policy Act of 1992*, Volumes 1 and 2, DOE/PO-0028 (Washington, DC, October 1994), <http://www.eia.doe.gov/oiaf/1605/guidelns.html>.

1995. After final editing and layout revisions to enhance readability, the EIA released the forms to the public in July 1995.

## The Voluntary Reporting Program and the Climate Change Action Plan

On April 21, 1993 (Earth Day), President Clinton committed the United States to stabilizing its emissions of greenhouse gases at 1990 levels by the year 2000. The methods by which the Government proposed to achieve this objective were described in the President's *Climate Change Action Plan*, published in October 1993.<sup>69</sup> That document spelled out a range of largely voluntary programs intended to limit emissions of greenhouse gases. The *Climate Change Action Plan* is updated yearly through the preparation and submission of the United States' *Climate Action Report*, under the annual requirement to the United Framework Convention on Climate Change. The most recent report, *The 1997 Climate Action Report*, was released in July 1997.<sup>70</sup>

As the President's Climate Change Action Plan began to be implemented, managers of certain DOE- and EPA-sponsored voluntary emission reduction programs (as well as some participants) felt the need for a reporting system to record and describe the actions of participants in those programs. The 1605(b) Voluntary Reporting Program, already underway with an OMB-approved data collection instrument and a requirement to collect information about a broad range of emission reduction activities, was a useful vehicle for recording results of the voluntary reduction programs. Participants in the Climate Challenge program (for electric utilities) and the Climate Wise program (for manufacturing firms) were strongly encouraged to file reports with the Voluntary Reporting Program documenting their emission reduction efforts.<sup>71</sup>

## Forms Design

The data collection forms for the Voluntary Reporting Program, as developed, endeavored to cover the complexity in categories of emissions required by the guidelines. To this end, the structure of the voluntary reporting database needed to be expandable to cover many different contingencies, including the following:

- Reporters ranged from some of the largest industrial firms in the United States to individual households.

- Reporters could report on particular actions they had taken to reduce emissions or on the emissions (and reductions) of their entire organizations.
- The statute required, and reporters requested, the ability to report on many different classes of actions that have the effect of reducing greenhouse gas emissions, ranging from energy conservation to carbon sequestration.
- The reporting format sought to identify areas where multiple reporting of the same project actually occurred, and to make possible a general assessment of the reliability and possible ownership of the reports.
- The lack of generally accepted accounting principles for greenhouse gas emissions required a design that permitted a variety of reporting formats. This led to ambiguities that the forms design tried to clarify.
- The guidelines permitted the reporting of foreign emission reduction actions.
- The guidelines permitted reporting on reductions for a range of greenhouse gases.
- Managers of voluntary programs asked the EIA to develop a mechanism for collecting participants' commitments to reduce future emissions.

The EIA developed two alternative reporting instruments: the long form (Form EIA-1605), which comprises four schedules (described in the box on page 62), and the short form (Form EIA-1605EZ). The short form is intended to cover reporting solely on emission reduction projects and for a single year only.

The text box on page 62 outlines the basic structure of the long form. The form has four schedules. The first schedule asks for the name and address of the reporter, along with some particulars about the report. The most fundamental distinction is between "project reporting" in Schedule II and "entity reporting" in Schedule III. Project reporters are reporting on specific actions they have taken to reduce emissions. Entity reporters are reporting on emissions and emission reductions for an entire organization. For example, during the fourth reporting cycle of the Voluntary Reporting Program (1997 data year), 56 reporters provided entity-level reports, and 145 reporters provided project-level reports. Forty-five reporters filed both entity-level and project-level reports, while 11

<sup>69</sup>President William J. Clinton, *The Climate Change Action Plan* (Washington, DC, October 1993), p. i, <http://www.gcrio.org/USCCAP/toc.html>.

<sup>70</sup>U.S. Department of State, *The 1997 Climate Action Report*, DOS/10496 (Washington DC, July 1997), [http://www.state.gov/www/global/oes/97climate\\_report/index.html](http://www.state.gov/www/global/oes/97climate_report/index.html).

<sup>71</sup>Not all participants in those programs have filed 1605(b) reports. Many participants have promised to take actions in the future, which will not be reportable until the actions have produced results. Section 1605(b) obliges the EIA to receive reports of "achieved reductions," meaning the results of actions already taken. Further, many participants joined the voluntary programs after the close of the first reporting cycle in 1995. Finally, some voluntary program participants may have experienced difficulty in gathering together the necessary information to file their reports.

reporters filed only entity-level reports. Within Schedule II, the report is further subdivided into ten sections, reflecting the diversity of anticipated reduction actions. Each section contains general questions that are applicable to all ten sections, as well as other questions specific to the particular type of project, to help reporters and the EIA understand and describe the project.

In order to clarify what reporters are claiming as “their” emissions, the Voluntary Reporting Program generally distinguishes between “direct” and “indirect” emissions. A direct emission is defined as an emission from a facility actually owned by a reporter. An indirect emission is defined as an emission from a facility owned by

someone else, but for whose emissions the reporter claims be responsibility. Some reporters reported only direct emissions and some reported only indirect emissions, depending on the nature of the project and the reporter’s view on the ownership of the emission.

Schedule IV was added to assist participants in DOE- and EPA-sponsored voluntary programs in recording their commitments to reduce future emissions. Sixty-five firms reported on Schedule IV during the 1997 data reporting cycle. Most Schedule IV reporters were electric utilities participating in DOE’s Climate Challenge program.

## **The Structure of Form EIA-1605**

### **Schedule I. General Information**

This schedule asks for the reporter’s name, address, and type of entity, and whether the report contains confidential information.

### **Schedule II. Project Level Emissions and Reductions**

This schedule covers reporting of specific actions that the reporter has taken that have reduced emissions. It is divided into ten parts, each covering a specific type of project. Each part requests general information about the location and nature of the project, emissions, emission reductions, and (if applicable) fuel or energy savings. Each part also asks a number of questions specific to the project type that will enhance the ability of data users to assess the emission reductions claimed.

- Section 1 Electric Power Generation, Transmission, and Distribution
- Section 2 Cogeneration and Waste Heat Recovery
- Section 3 Energy End Use
- Section 4 Transportation and Off-Road Vehicles
- Section 5 Waste Treatment and Disposal—Methane
- Section 6 Agriculture—Methane and Nitrous Oxide
- Section 7 Oil and Natural Gas Systems and Coal Mining—Methane
- Section 8 Carbon Sequestration
- Section 9 Halogenated Substances
- Section 10 Other Emission Reduction Projects

### **Schedule III. Entity Level Emissions and Reductions**

This schedule covers reporting on the emissions of an entire entity. It requests direct emissions (Part Ia) and reductions in direct emissions (Part Ib) from sources such as stationary combustion, transportation, and other direct sources. Schedule III also requests indirect emissions (Part IIa) and reductions in indirect emissions (Part IIb) from sources such as power transactions, which include purchased power and electricity wholesaling, and other indirect sources. Carbon sequestered, total emissions, and total reductions in emissions (Parts III, IVa, and IVb, respectively) for the entire entity are also requested on Schedule III. It should also be noted that if reporting entities had both foreign and domestic emission reduction activities, they were requested to submit two separate copies of Schedule III, Parts I through III—one representative of their domestic emission reduction activities and the other representative of their foreign emission reduction activities.

### **Schedule IV. Commitments to Emission Reduction or Sequestration Projects**

This schedule permits reporters to outline commitments to reduce emissions some time in the future, generally as part of a Government-sponsored voluntary program. Commitments can take several forms. The reporter can describe entity-level commitments to reduce greenhouse gas emissions (Section 1). Section 2 allows the reporter to report on commitments in terms of financial commitments or dollars pledged toward emission reduction or sequestration activities or research. Section 3 can be used to report on commitments to undertake specific actions or projects whose intended objective is to reduce greenhouse gas emissions.

**Appendix B**

# **Emissions Accounting Issues**